

Message Text

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ACTION ARA-10

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C O N F I D E N T I A L MONTEVIDEO 2743

E.O. 11652: GDS

TAGS: EFIN, PINT, UY

SUBJECT: ECONOMY MINISTER'S RESIGNATION

REF: MONTEVIDEO 2724

1.SUMMARY. STITUATION INVOLVING MIN. VEGH VILLEGAS' REPORTED RESIGNATION CONTINUES UNDEFINED AND WE HAVE CONFLICTING REPORTS ON IT. WHAT IS CLEAR IS THAT BOTH BUSINESS AND GOVERNMENT CIRCLES ARE TAKING THIS SERIOUSLY, AND MOST ARE PESSIMISTIC ABOUT THE OUTCOME. CONFLICTS OVER BOTH POLITICAL AND ECONOMIC POLICY ISSUES HAVE BEEN MENTIONED AS REASONS FOR THE RESIGNATION. END SUMMARY.

2. MINISTER VEGH VILLEGAS' REPORTED RESIGNATION (REF.A) IS THE MOST WIDESPREAD TOPIC OF CONVERSATION HERE NOW, BUT SIGNIFICANTLY THERE IS NO MENTION OF IT IN NEWSPAPERS. THE FACT THAT THE STORY HAS, AS YET, BEEN NEITHER CONFIRMED NOR DENIED STRONGLY SUGGESTS THE GOVT HAS NOT FOUND THE REPORT EASY TO DEAL WITH, AND THAT THERE IS IN FACT SOME FIRE UNDER THE SMOKE.

3. AT A RECEPTION LAST NIGHT EMBOFFS WERE TOLD BY SEVERAL MEMBERS OF THE COUNCIL OF STATE (OF WHICH PRESIDENT-DESIGNATE APARICIO MENDEZ IS CURRENTLY PRESIDENT) THAT MENDEZ WOULD DENY THE REPORT
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AND CONFIRM HIS SUPPORT FOR THE MINISTER. THIS HAS NOT HAPPENED

AS YET. WE WERE ALSO TOLD THERE ARE SEVERAL ISSUES OF REAL DISPUTE BETWEEN VEGH AND MENDEZ.

4. ON THE POLITICAL SIDE VEGH IS SAID TO HAVE FRANKLY EXPRESSED DISAGREEMENT, AT LEAST PRIVATELY, WITH SEVERAL ASPECTS OF THE NEW REGIME, INCLUDING A) THE FAILURE TO GIVE A FIRM DATE FOR THE NEW ELECTIONS-SOMETHING VEGH HAD STRONGLY PUSHED; B) THE EXTENSION FROM 2-3 YEARS (AS EXPECTED) TO 5 YEARS FOR THE TERM OF THE NEW INTERIM PRESIDENT; C) MENDEZ STATEMENTS INDICATING NO OPENING TO PARTY ACTIVITY AND, IF ANYTHING, A STRENGTHENING OF "HARD LINE" GOVERNMENT; D) THE INCREASING ROLE OF THE MILITARY IN WHAT VEGH FEELS SHOULD BE CIVILIAN APPOINTMENTS AND DECISIONS AND E) THE FORTHCOMING "INSTITUTIONAL ACT" WHICH WILL DEPRIVE MOST FORMER POLITICIANS OF THEIR RIGHT TO RUN FOR OFFICE (ONE SOURCE SAID VEGH OBJECTED TO THE INCLUSION OF SOME SPECIFIC INDIVIDUALS IN THIS LIST, WHILE OTHERS SAY HE IS OPPOSED TO ANY SUCH BLANKET LISTING).

5. ON THE ECONOMIC SIDE, A MORE IMMEDIATE CAUSE OF DISCORD IS VEGH'S REPORTED EXCLUSION FROM THE INNER COUNCILS BEING USED BY MENDEZ TO DEVELOP HIS PLANS FOR REORGANIZING THE GOVERNMENT. A SOURCE WHO HAD A LONG PRIVATE CONVERSATION WITH VEGH YESTERDAY SAID VEGH CONFIRMED HIS INTENTION TO RESIGN AND COMPLAINED THAT MENDEZ HAD NOT ONCE CONSULTED HIM NOR HAD ANY MILITARY LEADERS SPOKEN WITH HIM SINCE MID-JUNE. SPECIFICALLY, HE WAS NOT CONSULTED ABOUT THE SCOPE AND AUTHORITY OF THE ECONOMIC "SUPER-MINISTRY", FOR WHICH VEGH IS THE LEADING CANDIDATE. WHEN PRESENTED WITH THE PROPOSAL AS VIRTUALLY A FAIT ACCOMPLI LAST WEEKEND, ANOTHER SOURCE SAID VEGH INSISTED ON THE RIGHT TO MAKE THE SENIOR APPOINTMENTS IN EACH OF THE SUBORDINATE MINISTRIES AND ON THE INCLUSION OF SOME ADDITIONAL MINISTRIES, SUCH AS PUBLIC WORKS. THIS WAS REFUSED.

6. ALTHOUGH VEGH AND MENDEZ HAVE BEEN ON GOOD TERMS IN THE PAST, AND THE MILITARY CHIEFS ENDORSED HIS POLICIES FOLLOWING THE RECENT BORDABERRY OUSTER, THERE SEEMS TO HAVE BEEN A PARTING OF THE WAYS SINCE THEN. TO SOME EXTENT THIS REFLECTS PARTY DIFFERENCES (MENDEZ AND HIS ASSOCIATES ARE BLANCOS, WHILE VEGH IS CLOSELY ASSOCIATED WITH THE COLORADO LIST 15, BATTLISTA, FACTION AND SOME SAY VEGH HAS POLITICAL AMBITIONS OF HIS OWN. TAKING WHAT VEGH

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HAS SAID BOTH PUBLICLY AND PRIVATELY ABOUT THE NEED TO RETURN TO DEMOCRACY, WE CAN UNDERSTAND HIS UNHAPPINESS AT RECENT DEVELOPMENTS. ADD TO THIS HIS EXCLUSION FROM MENDEZ'S CIRCLE OF ADVISORS, AND THE RESIGNATION BECOMES COMPREHENSIBLE.

7 IT IS IMPORTANT TO NOTE THAT VEGH HAS ONLY STATED HIS INTENTION TO RESIGN, AS OF SEPTEMBER 1 WHEN ALL OTHER MINISTERS WILL SUBMIT THEIR RESIGNATIONS. ALL SOURCES AGREE THAT NO FORMAL RESIGNATION

HAS BEEN SUBMITTED AS YET.

8. EVEN THOUGH THERE ARE POLICY DISPUTES AND CABINET REALIGNMENT IS IN THE AIR, URUGUAYAN CUSTOM IN THE PAST HAS ALMOST ALWAYS BEEN TO PATCH THINGS UP WITH A COMPROMISE. STILL THE GENERAL PESSIMISM WE HAVE ENCOUNTERED IN OUR CONTACTS SUGGESTS THAT THE CURRENT FLAP TOUCHES ON DEEP PROBLEMS. IT MAY ALSO STEM IN PART, FROM A GROWING AWARENESS OF BROAD POLITICAL CHANGE. TRADITIONAL PARTY TIES RUN DEEP IN URUGUAY AND THE COUNTRY IS IN THE MIDST OF A TRANSITION FROM A CATHOLIC ORIENTED COLORADO GOVERNMENT TO A MASONIC INFLUENCED BLANCO ADMINISTRATION. THIS COULD WELL PORTEND SUBSTANTIAL CHANGES AFFECTING NOT ONLY VEGH BUT PEOPLE THROUGHOUT GOVERNMENT. THIS WILL BE CONVERGED IN SEPTEL, INCLUDING INDICATIONS OF UNCERTAINTY REGARDING BLANCO'S FUTURE.

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